

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333

IN RE:

Pruco Securities Corporation

NOTICE OF INTENT TO
CENSURE BROKER-DEALER

Nos. 00-027, 00-044

ALLEGATIONS

1. Pruco Securities Corporation ("Pruco") has been licensed to do business in Maine as a broker-dealer since at least February 14, 1984. Pruco was incorporated in New Jersey in 1971, has a principal place of business at 751 Broad Street, Newark, NJ 07102-3777, and at all relevant times has maintained at least one branch office in Maine.
2. On November 1, 2002, the Securities Administrator issued two Notices of Intent to Issue a Cease and Desist Order ("the Notices") against several foreign business entities and individuals for selling unregistered securities in Maine. Specifically, those respondents sold investment contracts to Maine residents relating to internet kiosks and pay telephone booths. The allegations contained in those Notices, which are attached hereto as Exhibits 1 and 2, are incorporated by reference as if fully set forth herein.
3. Timothy E. Grant, Sr. ("Grant") is listed as a respondent in both Notices for his role as a local sales representative in Maine for several of the foreign business entities named as respondents.
4. On April 11, 2000, the Office of Securities took the sworn deposition of Grant, in which he confirmed and admitted many of the material allegations herein.
5. From approximately July 1999 to April 2000, Grant sold the investments to at least seventeen (17) Maine residents for total investments of at least \$357,800. Grant received commissions of between 10 and 15% for these sales.
6. From approximately April 1988 to March 2000, Grant was also a licensed sales representative of Pruco and sold the investment contracts to Pruco clients apparently without Pruco's actual knowledge and through means designed to hide the activity from Pruco.
7. Pruco terminated Grant's employment in March 2000 upon learning of his unauthorized sales of investment contracts. In September 2001, the National Association of Securities

Dealers permanently barred Grant from associating with any member firm in any capacity.

8. At all relevant times, Grant's designated Pruco branch office was located in Bangor, Maine, but in fact Grant worked from his home in Sangerville, Maine. He conducted his securities business and kept his client files at his home, going to the Bangor office only about twice a month for meetings.
9. Grant kept his Pruco client files in two file cabinets in a room in his home. He kept his files relating to the investment contracts in the same room, in a small container located next to the two file cabinets and visible to anyone entering the room.
10. According to Grant's sworn testimony, no supervisor, compliance officer, or other Pruco official ever visited Grant's home or inspected his customer files.
11. Pruco is a member of the National Association of Securities Dealers ("NASD"), a self-regulatory organization to which certain regulatory responsibilities have been delegated pursuant to the Securities Exchange Act of 1934.
12. NASD Rule 3010(c) requires members to undertake regular inspections of every "unregistered office," which is defined as a location where a member conducts securities business and which is neither designated as an office of supervisory jurisdiction nor registered as a branch office.
13. Grant's home meets the definition of an unregistered office because it was a location -- indeed the only location -- at which he regularly conducted securities business for Pruco.
14. Pruco's failure to inspect Grant's home and files violates NASD Rule 3010(c).
15. Pruco's failure to inspect Grant's home and files also violated the policies and procedures set forth in Pruco's own compliance manual, which at all relevant times required at least annual inspections of unregistered offices.
16. By failing to inspect Grant's home and files, Pruco failed to reasonably supervise Grant.
17. If Pruco had reasonably supervised Grant, it might have discovered Grant's involvement in selling unregistered securities to Pruco clients.
18. Pursuant to 32 M.R.S.A. § 10313(1)(J), the Securities Administrator may, after notice and opportunity for hearing, issue an order censuring a broker-dealer that has "failed reasonably to supervise sales representatives."

NOTICE

Pursuant to 32 M.R.S.A. § 10708(6), notice is hereby given that the Securities Administrator intends to issue an Order to Censure Broker-Dealer, pursuant to 32 M.R.S.A. §10313(1)(J), against respondent, for failing to reasonably supervise one of its sales representatives.

Pursuant to 32 M.R.S.A. § 10708 (2), interested parties have thirty (30) calendar days from the entry of this Notice of Intent to file a written request for a hearing.

Date: December 31, 2002

/s/ Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Approved by:

Date: December 30, 2002

/s/ Bonnie E. Russell
Bonnie E. Russell
Supervisor of Enforcement

Presented by:

Date: December 30, 2002

/s/ Michael W. Atleson
Michael W. Atleson
Staff Attorney
(licensed in NY and MA, pending in ME)